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California Corporations Commissioner
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8 BEFORE THE DEPARTMENT OF CORPORATIONS
9 OF THE STATE OF CALIFORNIA

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11 In the Matter of the Accusation and Statement of) File Nos: 603-8764, 603-B616, 603-C637, 603-
Issues of the CALIFORNIA CORPORATIONS) C685, 603-D181, 603-D498, 603-D555, 603-
12 COMMISSIONER,) D613, 603-D623, 603-E371, 603-E413, 603-
13) E414, 603-E471, 603-F762, and 603-G400
Complainant,)
14) ORDER DENYING FINANCE LENDER
vs.) LICENSE APPLICATIONS, BARRING FROM
15) EMPLOYMENT, MANAGEMENT, OR
16 GLOBAL MORTGAGE RESOURCES, INC., a) CONTROL, AND REVOKING FINANCE
Delaware corporation, and SCOTT LOSCH, an) LENDER AND/OR BROKER LICENSES
17 individual,)
18)
19 Respondents.)

20 The California Corporations Commissioner finds that:

21 1. Beginning on March 17, 2003, respondent Global Mortgage Resources, Inc.
22 (“Global”) was a lender/broker licensed by the California Corporations Commissioner
23 (“Commissioner”) pursuant to the California Finance Lender Law, Cal. Fin. Code § 22000 et seq.
24 (“CFL”). Global’s main licensed location was 14440 Myerlake Circle, Clearwater, Florida 33760.
25 The main license number was 603-8764.
26 2. At all relevant times, Global was incorporated under the laws of Delaware under the
27 name of Global Mortgage, Inc. Global was authorized to do business in California as Global
28 Mortgage Resources, Inc.

- 1 3. At all relevant times, Global’s president was Scott Losch (“Losch”).
- 2 4. In addition to the main license issued on March 17, 2003, the Commissioner has
- 3 issued to Global 87 additional licenses to engage in the business of a finance lender and/or broker.
- 4 Of these, 79 are currently inactive and 8 are active. The active license numbers and locations are:
- 5 license number 603-B616, located at 2815 Camino Del Rio South, Suite 111, San Diego, CA 92108;
- 6 license number 603-C637, located at 7126 Warren Sharon Road, Brookfield, OH 44403; license
- 7 number 603-C685, located at 1140 Hammond Drive, Suite I-9150, Atlanta, GA 30328; license
- 8 number 603-D181, located at 109 Cude Lane, Madison, TN 37115; license number 603-D498,
- 9 located at 2 S. Main Street, Suite 407, Niles, OH 44446; license number 603-D555, located at 432
- 10 32nd Street, Newport Beach, CA 92663; license number 603-D613, located at 801 West Bay Drive,
- 11 Suite 314, Largo, FL 33770; and license number 603-D623, located at 171 Market Street, Suite 109,
- 12 Newington, CT 06111.
- 13 5. Global has applied to the Commissioner for another six CFLL licenses, which are
- 14 currently pending: license number 603-E371, located at 250 Moonachie Road, Moonachie, NJ
- 15 07074; license number 603-E413, located at 400 McCabe Avenue, 1st floor, Bradley Beach, FL
- 16 07720; license number 603-E414, located at 9700 Rockside Road, Suite 275, Valley View, OH
- 17 44125; license number 603-E471, located at 5325 Paylor Lane, Suite 200, Sarasota, FL 34202;
- 18 license number 603-F762, located at 246 S. Tamiami Trail, Venice, FL 34285; and license number
- 19 603-G400, located at 1811 Cielito Avenue, Monterey Park, CA 91754.
- 20 6. On February 21, 2007, the Department of Corporations (“Department”) commenced a
- 21 regulatory examination of the books and records of Global. The examination was initiated in part
- 22 because, due to the large number of CFLL license applications submitted by Global, the Department
- 23 suspected that Global might be engaged in the assigning or renting of branch licenses, which is
- 24 known in the mortgage industry as “net branching.” Such activity is prohibited by Financial Code
- 25 section 22151(b), as described more fully below.
- 26 7. While Global is incorporated and does business in other states as Global Mortgage,
- 27 Inc., Global is licensed in California only under the name Global Mortgage Resources, Inc. During
- 28 its examination, however, the Department found that the loan applications, loan disclosures, and

1 other loan documents used by Global did not use Global's licensed name, but "Global Mortgage" or
2 "Global Mortgage, Inc."

3 8. On its website, located at www.eglobalmortgage.com, Global solicited branch
4 managers. The website offered 100% commissions to branch managers and offered them services
5 such as licensing.

6 9. Global provided the Department with a copy of its branch manual. The branch
7 manual states that branch managers must maintain a checking account with Bank of America, which
8 Global uses to pay branch expenses. According to the manual, Global charges the branch \$495.00
9 per "closed file," with a monthly maximum of \$1,500.00.

10 10. In an addendum to the branch manager contract, Global provides that the branch
11 manager must pay \$1,500.00 to Global at the start of the branch manager's employment contract.
12 Although Global states that the fee is refundable, one former branch manager stated that she did not
13 receive a refund when she left Global.

14 11. During its review, the Department requested to see the lease agreements for all of the
15 then-active licensed locations. Global failed to provide the lease agreements for license numbers
16 603-B949, 603-C924, 605-3104, 603-A694, and 603-C118. When asked why, Global told the
17 Department's examiner that its recordkeeping was not "perfect," but it has made improvements.

18 12. The Department reviewed the lease agreements for license number 603-D199, located
19 at 15233 Ventura Boulevard #240, Sherman Oaks, CA 91403, which is now inactive. The lease and
20 sublease agreements show that the branch manager, Max Effatian, rather than Global, is the lessee.
21 The lease agreement for license number 603-D216, which was located at 8939 S. Sepulveda Blvd.
22 Suite 320, Los Angeles, CA 90045, shows the branch manager, John Fuller, as the lessee. Global is
23 the lessee for license number 603-B616, located at 2815 Camino del Rio South #111, San Diego, CA
24 92108, but the branch manager, David Jordan, appears on the lease as guarantor for Global. For
25 license number 603-D613, located at 801 West Bay Drive, Suite 314, Largo, FL 33770, the lessee is
26 the branch manager, Nelson Wall. There is a sublease from Nelson Wall to Global, but the sublease
27 does not require the payment of rent by Global and the branch manager remains liable to the original
28 lessor. The only lease agreement provided to the Department that showed Global as the lessee was

the lease for the main licensed location, located at 14440 Myerlake Circle, Clearwater, FL 33760.

13. During the examination, the Department asked to see copies of all invoices for monthly expenses for license numbers 603-B616, 603-B949, 603-C924, 603-D199, 603-D216, and 605-3104, from April 1, 2007 through June 30, 2007. The invoices provided by Global showed that many of the monthly expenses were billed to the branch manager rather than Global.

14. The Department asked Global whether it has any agreements to indemnify the branch managers. Global responded that it does not have any indemnification agreements.

15. In response to an inquiry by the Department, Global provided the dates that the following licensed locations had been closed: 603-D199, 603-D216, 605-3104, 603-C924, 603-B616, 603-B949, 603-A694, and 603-C118. Prior to the examination, the Department was never notified by Global that it was closing these branch locations.

16. On March 10, 2008, the Department received a letter from Global stating that it had closed its business and was surrendering license number 603-8764, the main license. Global enclosed the original license with its letter. Global's letter did not mention any other licensed locations, but enclosed copies of licenses for seven other locations. Aside from license number 603-8764, Global has not returned any original licenses to the Department. Pursuant to Financial Code section 22700, license number 603-8764 was surrendered effective April 9, 2008.

17. On or about July 28, 2008, the Commissioner issued a Notice of Intention to Issue Orders Denying Finance Lender License Applications, Barring From Employment, Management, or Control, and Revoking Finance Lender and/or Broker Licenses; Accusation and Statement of Issues; and accompanying documents to Scott Losch and Global. The Commissioner served Losch and Global both by mailing the documents via certified mail to 14440 Myerlake Circle, Clearwater, Florida 33760, and by mailing the documents via certified mail to Global's registered agent for service of process, National Registered Agents, Inc., at 2030 Main Street Ste. 1030, Irvine, California 92614. The documents were received by Global at its Florida address on August 4, 2008. The documents were received by Global's registered agent on August 27, 2008. The Department has not received a request for hearing or any other response from Losch or Global, and the time to request a hearing has expired.

1 18. The above-described violations constitute grounds under Financial Code sections
2 22109, 22169, and 22714 to deny Global's pending CFLL license applications, bar president Scott
3 Losch from any position of employment, management, or control, and revoke Global's outstanding
4 CFLL licenses.

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6 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that Global
7 Mortgage Resources, Inc.'s pending CFLL license applications be denied, that Scott Losch be barred
8 from any position of employment, management, or control of any finance lender and/or broker, and
9 that the eight active CFLL licenses of Global Mortgage Resources, Inc. be revoked.

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12 Dated: October 6, 2008
13 Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

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15 By _____
16 Alan Weinger
17 Acting Deputy Commissioner
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